

Saudi Private Venture - Alujain Corp.

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A private promoter of basic industries, the Jeddah-based joint stock company Alujain is involved in a wide range of businesses. It was set up with the intention of acting like a private sector parallel to SABIC, but on a much smaller scale.

Apart from the Teldene venture (see above), Alujain is planning to build a grassroots 900,000 t/y MTBE plant in Yanbu', Saudi Arabia's first

such private sector venture called Tahseen and to cost \$415m. In 1997, Neste of Finland and Ecofuel of Italy - the partners of SABIC in the major MTBE producer Ibn Zahr (see DT No. 20) - joined the venture with a 15% stake each. It was then agreed that Alujain will hold 30% in the venture and the rest will be offered to the Saudi business community, with the plant to be on stream in 2000.

However, the project was frozen in mid-1999 after the state of California decided to ban MTBE by end-2002, because of its growing threat to drinking water. There was concern that other US states, particularly in the north-east, could follow the Californian ban. The US accounts for most of the world's MTBE consumption, with California consuming more than half of Saudi Arabia's exports of this oxygenate.

Saudi Arabia (SABIC) is the world's biggest exporter of MTBE. World MTBE demand is about 22m t/y, of which 5m t/y are consumed in California and another 7m t/y are used in the other US states. The California ban has prompted a rearrangement of the market, with MTBE plants in the US likely to be converted for other uses. But the Saudi MTBE producers will instead concentrate on Europe, Asia and other markets which are expected to keep using this oxygenate

(Egypt has been importing MTBE from SABIC since 1996 as part of a drive to reduce air pollution. Egyptian imports are to be increased in 2000 by 50,000 to 200,000 t/y from 2000).

Arabian Oil Co. (AOC) of Japan, which holds the offshore oil concession in Saudi-Kuwait Divided Zone and wants this renewed before its expiry on the Saudi side at end-February 2000, has proposed to build a di-methyl ether (DME) plant in the zone as a JV with Saudi Arabia and Kuwait. DME is a new type of clean energy for power plants and fuel cells. AOC and the Japanese ministry of international trade and industry (MITI) have proposed the plant to have the capacity of 10,000 tons/day.

The \$850m plant would use as feedstock natural gas from the Dorra field in AOC's concession area, which the company would develop to tap a major part of its 5.5 TCF reserves in place. It was suggested in October 1999 that the proposed JV would be joined by Mitsubishi Gas Chemical Co. and JGC Corp.

Once the AOC concession has been renewed, a feasibility study would be started and the DME plant would be on stream around 2004.